

Carlos Ghosn exit

Nissan Motor Co Ltd

Why Saikawa's days as Nissan boss could be numbered

Company has failed to draw up clear plan in wake of Ghosn's spectacular downfall



Nissan's chief Hiroto Saikawa. 'It is hard to imagine a scenario where Saikawa survives,' says one analyst © FT montage / Bloomberg

Kana Inagaki and Leo Lewis in Tokyo YESTERDAY

On Tuesday morning [Nissan](#)'s chief executive [Hiroto Saikawa](#) flew from Tokyo to Amsterdam for a summit with his biggest shareholder [Renault](#). His flight, exactly one month after the arrest of [Carlos Ghosn](#), cannot have been comfortable.

Behind him is a company in crisis; waiting for him is a [corporate alliance](#) in crisis; every fresh statement, revelation and attempt at stonewalling suggests he is a manager in crisis.

He may survive the next few weeks, say analysts, but Mr Saikawa's days as CEO could be numbered.

"It is hard to imagine a scenario where Saikawa survives. He has thrown Nissan, the alliance and Renault into crisis," said CLSA analyst Christopher Richter.

His failure to pay a special visit to the alliance's headquarters in Amsterdam before now to explain things in person to the group and Renault's top executives raises questions

over his handling of the scandal, particularly as the French company's frustration with its Japanese partner has been evident right from the outset.

The Paris-based carmaker, which holds a 43 per cent voting stake in Nissan, is actively [demanding](#) responses to critical questions on the extent of co-ordination between Nissan, Mr Saikawa and the Japanese prosecutors still holding Mr Ghosn in a Tokyo cell.

Even the most benign accounts from within Nissan of Mr Saikawa's role make it clear that there is much he is still not sharing with Paris, say analysts.

If this whole debacle was, as some analysts suspect, a [rebellion](#) from within Nissan against Renault, Mr Saikawa has allowed the spectacular downfall of Mr Ghosn to unfold without any clear road map for what happens next.

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Toshiyasu Ohashi, analyst at Daiwa Securities

Following a board meeting on Monday, instead of naming a replacement for Mr Ghosn, Mr Saikawa announced a seven-member committee of external experts responsible for compiling proposals on executive compensation, director nomination and other governance measures by the end of March. "This is extremely important for the company's future," he stressed.

For some analysts, however, the panel appeared to be a perfect "excuse" to buy more time to consider Renault's request to call an emergency shareholder meeting that will allow the French company to appoint another representative to Nissan's board.

Both the extraordinary general meeting and the selection of a new chairman could rock an alliance that faced tensions before the removal of Mr Ghosn, who had been considering a merger between the two groups.

While Mr Saikawa outlined a governance overhaul that would take at least three months to launch, [Mitsubishi Motors](#), Nissan's third alliance partner, which does not have capital ties with Renault, reached a decision on the same day to immediately set up a nomination and compensation committee.

“It makes me wonder if Nissan is really serious about reforming its governance or whether it’s just taking the pose because there are other obstacles it needs to clear,” Toshiyasu Ohashi, chief credit analyst at Daiwa Securities, said.

If the panel, which is not fully independent because it includes Nissan’s three external directors, is to be effective, governance experts say its proposals in March should include a more sweeping change for Nissan: a revamp of its entire board including Mr Saikawa.

“Governance is about checks and balances, so if there was too much power concentrated in the chairman, the responsibility lies in the directors of the board,” said Toshiaki Oguchi, a representative director at the Japanese unit of UK-based investment group Governance for Owners.

When Nissan revealed an internal investigation into Mr Ghosn after his arrest on November 19, Mr Saikawa named the ousted chairman and Greg Kelly, another board member, as the “masterminds” of a series of alleged misconduct, including the use of company funds for personal expenses.

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Mr Ghosn, who remains chairman and chief executive of Renault, and Mr Kelly were both indicted last week on charges of falsifying Mr Ghosn’s pay in financial documents over a five-year period.

Mr Ghosn maintains his innocence, according to a person familiar with his legal defence. Mr Kelly’s lawyer, Yoichi Kitamura, said he believed Mr Kelly would be proven innocent at trial.

Nissan as a corporation was also charged with the same offence. The company maintains that other executives, including Mr Saikawa, were not aware of the understated pay because Mr Ghosn had the sole authority to set director compensation.

In the wake of such governance crisis at “a normal company,” Mr Oguchi said the management should voluntarily step down.

Nissan, however, is not an ordinary company. Its fate and every decision is tied intricately with its biggest French shareholder.



Carlos Ghosn, who remains chairman and chief executive of Renault, maintains his innocence

On this, some Nissan employees are counting on Mr Saikawa to take the leading role in rebalancing a partnership where Nissan holds only a 15 per cent non-voting stake in Renault, said people close to the company. Mr Saikawa has said he wants to focus on his CEO role to rebuild the company.

For investors, the future of the alliance is also their main concern, regardless of who heads the company.

“In the end, the alliance issue needs to be resolved through negotiation. And that’s what Mr Saikawa needs to focus on, at least for the foreseeable future,” said Citigroup analyst Arifumi Yoshida.

But there is one final, more critical question for the Nissan boss to consider, according to Macquarie analyst Janet Lewis.

“Whether Mr Saikawa can stay will depend on whether investors can believe that he could have been left unaware of what Mr Kelly and Mr Ghosn were doing, and whether he was not at fault for not being more aware,” she said.

Legal battle escalates in Brazil

In addition to addressing challenges in the Renault-Nissan alliance, an escalating legal battle between Nissan and the Carlos Ghosn family is posing another hurdle for Hiroto Saikawa, the Japanese group’s chief executive.

Last week, Nissan filed a civil claim in Brazil against Mr Ghosn’s older

The company said the claim was “not (yet) a specific request for a judgment against Ghosn’s sister” but the move was seen as preparing the carmaker for additional legal action in the future.

Nissan’s internal investigation has uncovered a \$100,000-year-consulting contract signed between Mr Ghosn’s sister and Nissan, although there was no evidence of any work being done, according to a person with knowledge of the investigations.

Separately, Mr Ghosn’s daughter retrieved documents, cash and a gift wallet from a Nissan-owned apartment in Rio las week after winning a court battle with the Japanese group that sought to [block her access](#).

The company claimed there was a risk that potential evidence of misconduct by Mr Ghosn could be removed or destroyed. Nissan believed the safes may contain details of dealings Mr Ghosn had with prominent political and business figures in Brazil, some of whom were later jailed on bribery and corruption charges.

But the daughter, who was accompanied by two judicial officers and Nissan’s lawyers when she entered the apartment, did not find any documents inside the safes and only retrieved \$20,000 in Brazilian currency and an empty wallet.

Nissan said its lawyers were unable to review two plastic folders containing documents that were separately removed from a wardrobe.

Devon Spurgeon, a spokesperson for Mr Ghosn and his family, said the documents were old agendas from a business trip to Brazil, and a request by Nissan to see the documents were denied by a judge.

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